



COUNTY OF LOS ANGELES
Internal Services Department

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Dave Lambertson
Director

To enrich lives through effective and caring service.

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February 8, 2006

To: Each Supervisor

From: Dave Lambertson
Director

Subject: **PAY TELEPHONE CONTRACT**

This memorandum is to inform you of ISD's efforts to contract for pay telephone services at County facilities for public and employee use.

Background

In April 2001, your Board approved a contract with Pacific Bell (now AT&T) to provide pay telephone services. This contract, including available extensions, will expire on October 9, 2006. The current contract provides pay telephone services in a wide range of County buildings and at County parks and beaches. There are two basic types of lines that are serviced. They are:

- Convenience Lines – these phones are used only occasionally. The telephone company charges County departments a monthly fee to keep these phones operational. Annual costs in this regard have been around \$250,000.
- Commission lines – these phones have a higher volume and have historically generated a fixed amount of income for the County. The existing contract provides approximately \$500,000 in annual revenues to the County. The revenue is credited to the County's Telephone Utilities Budget.

Over the course of the agreement, Pacific Bell has subcontracted with recognized smaller firms, including NAMI Communications, The Pay Phone Company, and Larkin Arnold Enterprises to provide services. These include maintenance as well as coin collection activities.

Current Status

Over the last five years, there have been significant changes in the pay telephone industry. Most notable is the wide spread use of cellular telephones. This has lead to a substantial reduction in the use of pay telephones by the public, both locally and nationwide and a corresponding decrease in the revenues generated by pay phones.

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In preparing for our current solicitation, ISD conducted a survey of public entities across the State, including the City of Los Angeles and the County of Orange. The survey showed that, because of the proliferation of cellular telephones, the number of pay telephones provided by governmental agencies has been steadily declining. Some entities, such as Sacramento County, Yolo County, and the City of Santa Rosa, have experienced significant reductions in payphone usage, are paying flat fees for convenience lines and removing payphones that do not make a profit. None of the entities surveyed has been able to secure a guaranteed revenue amount from their contractors for maintenance of their commission lines.

ISD is reviewing the frequency of use and the amount of revenue associated with each of the nearly 2,000 pay telephones covered by the current contract. The goal is to seek efficiencies by eliminating non-essential pay telephones as well as those lines generating little or no revenue because of infrequent use. Reducing the number of infrequently used pay telephones will reduce the monthly service charge that user departments pay for convenience lines. We will coordinate closely with County departments on the need for the lines prior to making any decisions related to removal.

Despite these efforts, it is reasonable to expect that the new contract will reflect a loss of revenue and increased costs for the convenience line. We have already included these assumptions in the Fiscal Year 2006-07 Telephone Utilities budget submittal.

I estimate that we will issue our solicitation for pay telephone services in early April 2006. I will keep you informed of our progress. Please let me know if you have any questions, or your staff may contact Kathy Hanks, Manager, Contracting Division, at (323) 267-3101 or via e-mail at khanks@isd.co.la.ca.us.

DL:DB:sg

c: ISD Board Deputies
Executive Office, Board of Supervisors
Chief Administrative Office
County Counsel